

DETECTION OF FRAUDS IN POSTAL AND FRACTIONAL CURRENCY.

LETTER

FROM

THE SECRETARY OF THE TREASURY,

IN ANSWER TO

*A resolution of the House of 17th instant, relative to regulations for the detection of frauds in the printing of postal and fractional currency.*

MARCH 24, 1868.—Referred to the Committee of Ways and Means and ordered to be printed.

TREASURY DEPARTMENT,  
March 23, 1868.

SIR: I have the honor to acknowledge the receipt of House resolution of the 17th instant, requesting the Secretary of the Treasury to communicate to the House "by what regulations, and in what manner, frauds are detected and prevented in the printing and issue of the United States postal and United States fractional currency."

Herewith please find copies of reports from the Treasurer of the United States and Chief of National Currency Division, (to whom the resolution was referred,) which, it is believed, convey the desired information.

I have the honor to be, very respectfully,

H. McCULLOCH,  
*Secretary of the Treasury.*

Hon. SCHUYLER COLFAX,  
*Speaker of the House of Representatives.*

TREASURY DEPARTMENT, NATIONAL CURRENCY BUREAU,  
FIRST DIVISION, March 21, 1868.

SIR: I have the honor to acknowledge the receipt of resolution of the House of Representatives, directing you, if not inconsistent with the public interest, to inform the House "by what regulations, and in what manner, frauds are detected and prevented in the printing and issue of the United States postal and United States fractional currency."

This resolution is referred to me for report so far as the *printing* of these issues is concerned.

The *postal* currency was the first government issue representing fractional

parts of a dollar, and was commenced in August, 1862, and closed in April, 1863. At that time I had no connection with its manufacture, (it being printed in New York,) and consequently have no *personal* knowledge of the regulations or the manner by which "frauds were detected and prevented."

I was advised, however, at the time, by Secretary Chase, that he had instituted such regulations as the nature of the case admitted, while the work was performed away from the Treasury Department, and that his chief dependence for security against fraud was upon the fulfilment of his instructions to have the backs and faces printed by two different companies. This was insufficient to satisfy him, and he therefore directed, after obtaining authority from Congress, (act approved July 11, 1862,) to print the currency in the Treasury, where it could be under immediate and constant official control.

The issue of the *fractional* currency was commenced October, 1863, and as I was directed to prepare "regulations for detecting and preventing fraud in the printing," I have been familiar with them and their practical operations from that time to the present.

The main features of the system are, a rigid accountability, with a daily settlement for every sheet of paper that enters the bureau for use, a receipt and record at each change of custody, and an avoidance of all division of responsibility. Where the paper is first distributed by the counters for the execution of the first part of the work, it is charged by the counting division to the subdivisions which receive it, not only by the *number of sheets* delivered, but also by the *number of dollars* these sheets will make when finished. When the first subdivision completes its work upon it, it is returned, counted, and credited in like manner, *i. e.*, both by sheets and dollars. It then goes out and returns under like system for each successive operation, until it is finished, an account being kept with each subdivision similar to a banker's account of deposit and payment. In the process of manufacture it is made subject of account thirteen times, and is counted twenty-six times. In all these various processes the good, bad, mutilated, and plain paper are always alike treated *as money*, no matter in what shape or condition the sheets may be, and is all in like manner finally delivered to the Treasurer, who is alone authorized to issue it.

There is no division of responsibility in any part of this bureau. Each subdivision and each operative is held strictly accountable while the sheets are in his or her division, and the sheets never pass from one subdivision to another without a count and a receipt in a book of record.

At the close of each day's work the accounts of each and every subdivision are balanced, the same as a banker balances his accounts, and no one connected with the manufacture of printed values is permitted to leave the premises until every account of each subdivision is balanced and reported correct.

The superintendent of each subdivision makes a daily report of the condition of his or her work for the day, showing in detail what and how much of each denomination and kind was on hand in the morning, received and delivered during the day, and remaining on hand at night. These reports are daily examined, and filed for reference.

A clerk is specially employed whose sole duty it is to compare and collate these reports, to see that the amounts reported on hand in the morning are the same as those reported on hand the previous evening, and see that what one superintendent alleges to have been delivered the succeeding superintendent acknowledges to have received; and further to see that all details of quantities, denominations and amounts of the different reports agree in detail and in aggregate.

Upon these reports, thus compared, this clerk makes a daily report to the Secretary, showing the aggregate as well as the detailed doings of the day in a tabulated form, which agrees with the records. These reports are every morning transmitted to the Secretary's office, and there preserved on file.



The denominations and amounts daily delivered to the Treasurer are also reported each day to the Secretary in blanks provided for the purpose, that the Secretary may know if the amount of currency reported delivered to the Treasurer is acknowledged by him as received.

With the delivery to the Treasurer, and upon his receipt, (certified after count,) the responsibility of this division ceases, and that responsibility is assumed by the Treasurer. With *the issue* this division is in nowise concerned.

Under the practical operation of this system, up to the present time there has been manufactured of this currency more than 83,000,000 of dollars, involving the handling, many times over, of 27,000,000 of sheets, and producing 444,000,000 of notes, without the loss to the government in this division of a single note of any denomination.

It is not supposed that this system is perfect. "Perfection is not among human conditions." But it has been steadily improved since its first inauguration, as experience suggested improvements, and no opportunity to still further improve it will be neglected.

The House resolution is herewith returned.

I have the honor to be, very respectfully, your obedient servant,

S. M. CLARK,

*Chief of Division.*

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

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TREASURY OF THE UNITED STATES,  
*Washington, March 20, 1868.*

DEAR SIR: I yesterday received from your office, for answer in part from me, a copy of a resolution of the House of Representatives, passed on motion of Mr. Chanler, March 17, 1868, which asks "by what regulations, and in what manner frauds are detected and prevented in the printing and issue of the United States postal and United States fractional currency."

With the *printing* of the currency, as you know, I have nothing whatever to do. In regard to the *issue* thereof, I have to say that for all the new currency, of whatever kind, received by this office from the printing division of the Currency Bureau, after a careful count, a receipt therefor is at once given by the chief of the division of issues, and on the same day the currency is delivered to the cashier. As it then enters into the cash account of the day, any deficiency would be immediately detected on making up the cash statement at the close of business for the day. Statements of the receipts of all new currency so received are at once sent to another division of this office, both from the cashier and from the chief of the division of issues. These statements agreeing in all respects are then reported daily, on the day following the delivery, setting forth the currency so received, by kind, denominations, and amounts, to your office, where, I understand, there is a comparison made with them and the reports received by your office from the chief of the printing division of the Currency Bureau. When these reports all agree, the amounts are covered into the treasury, and I am then charged with the amount on the various proper books of the department, as I had already charged myself on the books of this office.

Fraud on and after the delivery of the currency to this office, except by outright stealing, could only be perpetrated by collusion between employes of the printing division and of this office. As no frauds in this respect have been committed in this office, none have been detected.

Very respectfully, yours,

F. E. SPINNER,

*Treasurer of the United States.*

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

